



City of Hampton, VA Meeting Minutes City Council

22 Lincoln Street
Hampton, VA 23669
www.hampton.gov

Ross A. Kearney, II
Will Moffett
Joseph H. Spencer, II
Molly Joseph Ward, Mayor

Christopher G. Stuart
Donnie R. Tuck
George E. Wallace

Staff:
Mary Bunting, City Manager
Cynthia Hudson, City Attorney
Katherine K. Glass, CMC, Clerk of Council

Wednesday, May 9, 2012 12:59 PM Council Chambers, 8th Floor, City Hall

CALL TO ORDER/ROLL CALL

MOLLY JOSEPH WARD PRESIDED

PRESENT: Ross A. Kearney, II, Will Moffett, Joseph H. Spencer, II, Christopher G. Stuart, Donnie R. Tuck, George E. Wallace

Mayor Ward welcomed everyone to the afternoon meeting.

AGENDA

1. 12-0194 Budget Work Session

Ms. Bunting introduced the item, stating the purpose of this session is to obtain Council's consensus for any amendments they would like in the budget prior to the final vote scheduled for this evening. The amendment process is strict regarding the legal motion wording; therefore, staff prepared it in advance in order to have a smooth process during the evening meeting. Last week, Finance Director Karl Daughtrey briefed Council on State budget cuts which were not as deep as initially thought, leaving us with \$300,000 more than anticipated. We had also set aside money in contingency in the event we had not been conservative enough leaving us with money for amendments. Staff has prepared a proposal for Council to consider which will become the basis for the amendments. In the event Council is not in agreement with the proposal, staff needs to be made aware of their wishes this afternoon so that staff may complete the amendment process.

Ms. Bunting welcomed School Board members Ms. Phyllis Henry and Ms. Jennifer Phillips to the meeting and then updated Council on the School system's request. She stated we have been working with the School system to accommodate their desire to have additional local funding other than that produced by the local funding formula. The School Board passed its budget without having complete information from the State, and therefore, it appeared they needed an additional \$2.3 million to close the gaps in their budget. They requested we consider a dedicated tax increase to support the additional funding needed. Council was briefed on the State budget changes resulting in the

School system receiving more than anticipated, reducing their request to \$1 million. We proceeded with advertising a Public Hearing for a dedicated tax increase to generate \$1 million in the event we could not reach any other agreement.

Ms. Bunting described the alternative they were able to reach. Council met with School Board members to explore potential ideas and to look for one-time expenses in the School system budget for which we might be able to use our Fund Balance. As a AA Plus Bond rated community, we are expected to have a minimum of 10% of the total City and School revenues in a reserve account known as Fund Balance, or the amount of money needed in savings in case of an emergency. We currently have funds in excess of that 10%, some of which is being used to support City capital projects and one-time funding for a bonus for City employees. There were enough funds remaining to extend to the School system only if they were to support one-time expenses because it is never appropriate to use one-time money in a savings account for recurring expenses. The School system took much of its one-time expenses out of their budget to avoid the need for a tax increase, but was able to identify the Bridgeport Academy lease as a one-time expense. The School system intends to move the Bridgeport program and other alternative programs to a consolidated facility at the former Lee Elementary School which will result in operational savings in terms of the lease, as well as operational efficiencies of the program. The last payment of \$408,780 in the Bridgeport lease must be made before the recurring savings accrue the benefit of the School system. Ms. Bunting noted she is comfortable using Fund Balance to pay the last lease payment on their behalf since it is clearly a one-time expense, and this will free up the \$408,000 per year for them to dedicate to recurring expenses such as cafeteria monitors.

Ms. Bunting stated the transportation to Jones and Cooper schools would be a one-time expense if the School Board adopts a policy to end that program. There is a desire to extend the transportation for at least one year to allow parents to make alternative arrangements. The School Board members agreed to us giving them the Fund Balance money to cover that with the expectation that it is one-year funding with the announcement that the transportation will cease at the end of the next school year. This meets the requirements we need to satisfy ourselves, external auditors and other groups such as the bond rating agencies.

Ms. Bunting stated the Bridgeport Academy lease and the transportation expenses total \$898,570 which is very close to the \$1 million the School system asked us to make up in the form of dedicated revenue. The School Board members agreed not to proceed with the dedicated tax this year.

Ms. Bunting stated declining housing values impacts both the City and School budget and local funding formula. We need Council and the community to understand we cannot indefinitely support taking in less revenue while maintaining certain services. Both budgets already contain deep cuts. However, this will give us one year to see if the housing values will stabilize and improve. If not, we will need to look at the need for tax increases.

Councilman Kearney commended Ms. Bunting and the School Board for reaching this agreement. Ms. Bunting thanked the School Board for their cooperation in resolving the issue.

On behalf of the School Board, Ms. Henry expressed appreciation to Ms. Bunting and

School Superintendent Dr. Linda Shifflette for working together to find funds to get through this year without further painful cuts. She added the School Board also appreciated the advice given by the members of Council.

Ms. Bunting noted since the School system did receive additional money from the State, there will be additional amendments we need to make to their adopted budget which will include that State money. This will be prepared for Council and read into the record during the evening meeting.

Ms. Bunting updated Council on the City budget. She stated there is \$640,367 which can be restored to budget cuts from changes in State revenue and the contingency set aside for State impacts. Council and staff priorities were discussed last week. Council recommended consideration in areas including cigarette tax, library and community hours, miscellaneous things which directly impact citizens and youth, youth and family oriented programs, and public safety. Those recommendations have been balanced and presented in a FY13 City Manager's Recommended Restoration handout. A copy of the handout is attached to the minutes.

Ms. Bunting elaborated on the following amendments staff proposed: (1) reduction in cigarette tax increase from ten to five cents. The ten cent increase would generate \$265,000. We could not eliminate the entire amount and do justice to some of the other things we felt were required. The reduction would use \$132,500 of the total resources available. (2) closing Monday community centers' operations. Centers would have been closed on Mondays during the months of September through May. The intent was to keep fee based programs operating with closures on Mondays; however, Monday closures were painful from the community's perspective particularly because children use the facilities as a safe environment in which to socialize; we also did not want to create more latch key children in our community. (3) library hour cuts. We had considered reducing library hours, but heard from the youth that they needed longer access to libraries. (4) Police Department. We had made a cut to the Police Department; however, have proposed restoring that funding to support the Major position. (5) other salaries. We had assumed we would leave a Healthy Start case worker position open; however, this puts an additional case load on other workers. (6) 911 restoration is in part-time hours which are a public safety related cut; therefore, appropriate for restoration. (7) maintenance of existing landscaping and trees and grass cutting for blighted properties. (8) custodian position in Public Works. We had cut the custodian position in the Public Works department with the assumption that City staff would be doing more cleaning of spaces, but this position was restored due to morale issues in the workforce (9) information technology. Many salaried employees work from the home or on weekends in addition to their standard 40 hour workweek. It seemed appropriate to restore the Go To My PC system. (10) pictometry technology which updates our visual view of houses in our community and helps with assessment records. Additional amended items are listed on the copy of the handout which is attached to the minutes.

Ms. Bunting stated after all amendments were made, \$23,231 was left; however, there were operating cuts in virtually every department, and therefore, instead of selecting departments to receive funding, she felt it was appropriate to leave the remaining money in contingency for whichever departments needed those funds the most midyear.

Ms. Bunting advised everyone that this is staff's best recommendation regarding restorations; however, Council may make modifications. Mayor Ward noted if Council wants to add something; something else must be removed. Ms. Bunting concurred and added that this is a balanced budget and there are no other sources of revenue to recommend.

Vice Mayor Wallace asked if we have a contracted position in the budget for the continuity of the Citizens' Unity Commission (CUC).

Ms. Bunting replied yes and added that she felt it was important to maintain and enhance the CUC program. She has had conversations with a potential part-time employee who she believes would be welcomed by the CUC and ADHOC leadership group because she has much passion and expertise to bring to the table. Ms. Bunting noted she does not believe the community will see much of a difference between the full-time and part-time worker and may even see more activity out of those agencies. She noted the shift in this department was a result of the retirement of an employee.

Councilman Tuck referenced the \$132,500 amount regarding the cigarette tax listed on the recommended restoration amendments. He then stated last week we mentioned fire inspection fees would generate approximately \$250,000; however, small businesses are concerned about these fees. He asked since there is approximately \$1.4 million in contingency and approximately \$307,000 of it was set aside to cover State impacts, if it is possible that the \$1.4 million could be reduced in order to not increase the cigarette tax at all?

Ms. Bunting addressed Councilman Tuck's question regarding whether or not contingency could be reduced. It is Council's prerogative as to how much they think should be set aside in contingency. Over the years, we have historically relied on contingency for different things; and therefore, it is an intuitive feel as to the correct level of contingency. By reducing contingency, there will be less of a margin to react to unanticipated expenses and/or unanticipated loss of revenue.

Ms. Bunting responded to Councilman Tuck's question regarding the cigarette tax. The cigarette tax is a consumer's add on tax which businesses may choose not to add, rather choosing to take the loss out of their profits. Other cities may not have a cigarette tax causing consumers to drive to those places, York County for example, but current fuel prices may mitigate people driving farther distances to save a few cents per pack of cigarettes. She added Newport News has adopted a 10 cent increase and was previously at the same rate we were; if we adopt a 5 cent increase, we will be cheaper than Newport News.

Councilman Tuck stated he received a response last night from the City Manager regarding the master planning process and taking funds from different places. Her comments stated we have a healthy Fund Balance which we keep in the case of an emergency. He asked if money could be taken from that?

Ms. Bunting clarified that contingency money in the budget is funded with recurring revenue. Roughly \$1 million is budgeted every year for contingency. For example, this year contingency money will be used for the Harbor Square demolition and updating Buckroe and Phoebus Master Plans. Those are things we won't have to do the next fiscal year. We don't know if there will be an emergency situation; however, if you take

away contingency allocation, you minimize your ability to react to the emergency. Fund Balance is always an option; however, it can only be used for certain things. She reiterated that it is a policy judgment of the body.

Councilman Tuck noted according to Ms. Bunting's correspondence last evening regarding the Master Plan and where funds were coming from, the \$1.4 million was not included in that; however, for the sake of discussion, he would conclude his comments.

Vice Mayor Wallace compared contingency money to insurance money and stated the money is there for when it is needed. He explained when reviewing quarterly adjustments made regarding modifying and transferring funds from one department to another based on issues that arrive during the year, it shows that we use contingency money during the year to a significant degree. He added we will regret it if the money is not there in case of an emergency.

Ms. Bunting gave an example where in past years, the State had less revenue intake in the middle of the year and passed cuts onto local governments in the middle of the year. Contingency provided a buffer so that operations did not have to be cut midyear. The contingency cushion gave us the freedom not to decimate City services, yet still know that we could end the fiscal year in a balanced position. Without that type of cushion, we would not have that ability. She noted a cushion could be either an unanticipated expense or a loss of revenue. It is up to Council to determine how much insurance they feel is comfortable. One million dollars on the size of our budget is relatively small. She noted if Council is conscious of the risk they would be taking and wished to scale back, that is their prerogative.

Councilman Stuart said the building visits that the Fire Department will be doing and even half of the cigarette tax is approximately \$400,000 of additional burden on our small businesses and property owners. Therefore, looking somewhere for it whether or not in contingency, is a burden we are rapidly considering moving over to those individuals. He noted he doesn't consider an add-on tax as a tongue in cheek thing because someone has to bear that burden and the fact that that person is the small businessperson does not make the burden any better. He said he appreciated the observations; however, we have some challenges because we need to be a place where people want to own property and run small businesses.

Mayor Ward clarified that the cigarette tax is an add-on to the consumer, not small businesses; therefore, small businesses can make the decision whether or not to absorb it in their costs and change how they charge for the cigarettes. She reiterated if we do adopt this, the tax will be a nickel less than Newport News.

Councilman Kearney noted, as a former smoker, it is terrible to fight the urge to smoke; however, it is an unhealthy habit, and therefore, the cigarette tax is referred to as a sin tax. He continued stating perhaps we should discuss five or ten cents off of milk prices which is something that would benefit every family or child in the City. He concurred with Mayor Ward and added it is the consumer's option to smoke and anything we do to encourage people to stop smoking, including the cost of cigarettes, is beneficial to the health and welfare of our community.

Councilman Kearney noted last year, several prominent businesses in Hampton were selling bootleg untaxed cigarettes purchased or stolen outside of the normal realm of things.

Councilman Kearney stated he understands fellow Councilmembers' concerns regarding fire safety issues and fees; however, a tax which concerns him is the food tax which has increased 1% to 7.5%. There are people who have to eat or eat out, and therefore, pay this tax. He added taxes are a concern, but something that has to be done in order to provide specific services.

Councilman Kearney thanked Councilman Spencer for raising the concern regarding fire safety issues and fees; however, in his opinion, in the long term it saves money because the more inspections a business has, they then qualify for lower insurance rates. He stated he appreciated the budget as presented with these changes and looks forward to supporting it at the evening meeting.

Mayor Ward clarified Councilman Kearney was referring to the meals tax at restaurants as opposed to grocery stores. Councilman Kearney concurred.

Councilman Spencer commented that we should reflect on why everything gets dumped on localities. We are being responsible and are trying to fund education, take care of our employees and provide services that our citizens expect from its community. This is a very difficult way to develop and balance a budget when we do not get expected funds from the Federal and State governments due to people saying "no". He reiterated that we need to think about why we are the last best defense on the citizens and the fact that we choose to be responsible, but we are going to make tough choices because the buck stops here. However, it is being forced on us. He reminded everyone that it is important to remember why we are having these discussions.

Vice Mayor Wallace said Hampton and Newport News are the two leading communities on the Peninsula and there are many things we do collectively to provide services. We try to do things comparably regarding how we provide services and raise revenue for those services. We made a commitment to Newport News to try to be comparable in our meals and cigarette tax rates. If we change the cigarette tax rate to a five cent increase, we are reneging somewhat on our commitment to maintain continuity between the two communities regarding generating revenue. He noted Council should at least be aware of this. In his opinion, five cents is absolutely necessary and ten cents is realistic. We should definitely do a minimum increase of five cent particularly in terms of our relationship and commitment with Newport News.

Ms. Bunting stated unless we hear otherwise from Council, these are the amendments which will be prepared for Council this evening. She noted each item will be on the agenda and she requested Council inform her or the Clerk of Council if they wish to vote on an item separately.

PRESENTED by Mary Bunting, City Manager.

REGIONAL ISSUES

There were no regional issues discussed.

NEW BUSINESS

There were no new business items discussed.

CLOSED MEETING

2. 12-0192 Closed Session as provided in Virginia Code Section 2.2-3711.A.1 and .3 to:

APPROVED

Motion made by: Vice Mayor George E. Wallace

Seconded by: Councilmember Ross A. Kearney, II

Ayes: 7 - Ross A. Kearney, II, Will Moffett, Joseph H. Spencer, II, Christopher G. Stuart, Donnie R. Tuck, George E. Wallace, Molly Joseph Ward

Nays: 0

- . 12-0117 to consider nominations to the Virginia Municipal League 2012 Policy Committees

NO ACTION REQUIRED

- . 12-0161 to consider appointments to the Neighborhood Commission

NO ACTION REQUIRED

- . 12-0200 to discuss the disposition of publicly held real property in the Kecoughtan Road corridor where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the city

NO ACTION REQUIRED**Certification**

3. 12-0193 Resolution Certifying Closed Session

WHEREAS, the City Council of the City of Hampton, Virginia, has convened a closed session on this date pursuant to an affirmative recorded vote made in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712D of the Code of Virginia requires a certification by the City Council of the City of Hampton, Virginia, that such closed meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hampton, Virginia, hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the city council of the city of Hampton, Virginia.

ADOPTED - the meeting adjourned at 2:44 p.m.

Motion made by: Vice Mayor George E. Wallace

Seconded by: Councilmember Ross A. Kearney, II

Ayes: 7 - Ross A. Kearney, II, Will Moffett, Joseph H. Spencer, II,
Christopher G. Stuart, Donnie R. Tuck, George E. Wallace, Molly
Joseph Ward

Nays: 0

Molly Joseph Ward
Mayor

Katherine K. Glass, CMC
Clerk of Council

Date approved by Council _____

City Manager's Recommended Restoration FY13

Resources:

Contingency Set Aside for State Impacts.	307,645
Changes in State Revenue	332,722
Total	640,367

Total Resources:

640,367**Amendments:**

Reduce cigarette tax from a 10 cent increase to a 5 cent increase	132,500
Restore closing of one day a week - Community Center Hours	85,298
Restore funding for Library hours	35,000
Restore funding - Police	75,000
Restore other salaries - Healthy Start (Youth, Education & Family)	26,913
Restore other salaries - Strategic Customer Service-911	16,522
Restore City-wide mulching of medians and landscaping projects	44,400
Restore trees and tree maintenance	20,621
Restore grass cutting - Community Development	4,680
Restore funding for WAE custodian position - PW Facilities	34,448
Restore other salaries - Parent Education - Youth, Education & Families	18,025
Restore operating cost - Youth Civic Engagement	20,000
Restore operating funds - GoToMyPC - Information Technology	24,389
Restore funding for pictometry technology - Information Technology	21,375
Restore operating funds - Annual Technology fund (50% restoration)	45,000
Restore operating hours - History Museum	12,965
Leave in contingency for unanticipated departmental needs due to cuts	23,231

Total

640,367

School Budget Changes

Resources:**898,570**

Fund Balance Use for One-Time Expenses

Uses of Fund Balance:

Bridgeport Lease	408,780
Last Year of Transportation for Jones & Cooper	489,790

Total**898,570**